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**DEPARTMENT OF THE INTERIOR AND RELATED
AGENCIES APPROPRIATIONS FOR 1993**

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

SECOND SESSION

**SUBCOMMITTEE ON THE DEPARTMENT OF THE INTERIOR AND
RELATED AGENCIES**

SIDNEY R. YATES, Illinois, Chairman

JOHN P. MURTHA, Pennsylvania
NORMAN D. DICKS, Washington
LES AU COIN, Oregon
TOM BEVILL, Alabama
CHESTER G. ATKINS, Massachusetts

RALPH REGULA, Ohio
JOSEPH M. McDADE, Pennsylvania
BILL LOWERY, California
JOE SKEEN, New Mexico

D. NEAL SIGMON, KATHLEEN R. JOHNSON, ROBERT S. KRIPOWICZ, and LORETTA BEAUMONT,
Staff Assistants

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so that NACIE activities can be coordinated with those of Indian education organizations

Question Why is your rent increasing by \$74,000-- that's more than a 50 percent increase? (\$142,000 in fiscal year 1992 \$216,000 in fiscal year 1993)

Answer The costs for rent in the 1993 Congressional Justification are based on preliminary data which have since been revised The current estimated amounts for rent in fiscal year 1992 and fiscal year 1993 are \$176,000 and \$187,000, respectively, an increase of 6 percent to cover inflation.

Question How do you justify these increases when you proposed to reduce your staffing by 10 percent?

Answer The reduction in the FTE ceiling will not affect the OIE staffing level because the office has actually been operating at a level of 10 to 12 below its ceiling since 1988 The funding increases are needed in order to cover the operating costs of the proposed OIE FTE level and to maintain an effective level of operations

THURSDAY, APRIL 2, 1992.

BUREAU OF INDIAN AFFAIRS

WITNESSES

EDDIE BROWN, ASSISTANT SECRETARY, INDIAN AFFAIRS
WILLIAM BETTENBERG, DEPUTY ASSISTANT SECRETARY, INDIAN AFFAIRS
JOHN TREZISE, ACTING DIRECTOR, OFFICE OF CONSTRUCTION MANAGEMENT
DAVID J. MATHESON, DEPUTY COMMISSIONER OF INDIAN AFFAIRS
EDWARD F. PARISIAN, DIRECTOR, OFFICE OF INDIAN EDUCATION PROGRAMS
PATRICK HAYES, DIRECTOR, OFFICE OF TRUST AND ECONOMIC DEVELOPMENT
RONALD EDEN, DIRECTOR, OFFICE OF TRIBAL SERVICES
JAMES PARRIS, DIRECTOR, OFFICE OF TRUST FUNDS MANAGEMENT
JAMES CAIN, ACTING DIRECTOR, OFFICE OF MANAGEMENT AND ADMINISTRATION
LINDA RICHARDSON, ASSISTANT DIRECTOR, FINANCIAL MANAGEMENT
JEFFREY C. STEINHOFF, DIRECTOR, CIVIL AUDITS, ACCOUNTING AND FINANCIAL MANAGEMENT DIVISION, GENERAL ACCOUNTING OFFICE
GAYLE CONDON, GENERAL ACCOUNTING OFFICE
TOM ARMSTRONG, GENERAL ACCOUNTING OFFICE

OPENING REMARKS

Mr. YATES. This is the hearing on the budget for fiscal year 1993 for the Bureau of Indian Affairs. Appearing in support of BIA's budget is its distinguished Assistant Secretary, Dr. Eddie Brown; Mr. Bettenberg; Mr. Lamb; and Mr. Trezise. It is Trezise?

Mr. TREZISE. Trezise.

Mr. YATES. Trezise; and from BIA itself, Mr. Matheson, the Deputy Commissioner of Indian Affairs; Mr. Parisian, Director, Office of Indian Education; Patrick Hayes, Director, Office of Trust and Economic Development; Ronald Eden, Director of the Office of Tribal Services; James Parris, Director of the Office of Trust Funds Management—he's got a problem; James Cain, Acting Director of the Office of Management and Administration; and Linda Richardson. Hi, Linda. You look wonderful.

Ms. RICHARDSON. Thank you, sir.

Mr. YATES. The years have dealt kindly with you.

GAO AUDIT OF INDIAN TRUST FUNDS

All right. Now the first subject we are going to take up is the question of the Indian trust funds. The General Accounting Office has been kind enough to respond to an inquiry of ours and to

Mr. YATES Where you begin?

Mr. BROWN Yes

Mr. YATES Questions, Mr. Skeen?

Mr. SKEEN No, I have nothing further.

TRUST FUND INVESTMENTS IN BANKS THAT FAILED

Mr. YATES All right Anything else, Mr. Steinhoff, you want to tell us? It sounds like you're making progress.

Staff tells me there's a problem. "GAO has provided information to Chairman Synar, of the Government Operations Subcommittee, regarding trust funds which had been deposited in financial institutions which later failed." What's your current policy regarding investing trust funds in institutions above the insured limits of \$100,000?

Mr. BROWN. Let me turn to Mr. Jim Parris, who is director of the Office of Trust Funds Management. Jim, could you come up and talk?

Mr. PARRIS Currently, the Bureau of Indian Affairs, if we invest in a bank, money that is in excess of the \$100,000 limit, we require collateral by the bank, pledged securities.

Mr. YATES Like with real estate? Like the S&Ls had?

Mr. PARRIS No They've got to pledge cash or give them securities.

Mr. YATES Okay Now GAO says that approximately \$4 million in losses from failed institutions have been identified to date, and BIA is liable for these losses Do you agree with that?

Mr. PARRIS The losses were incurred in banks that we placed the trust funds; and yes, the Government—

Mr. YATES Does that mean that we have to appropriate \$4 million to make up for BIA's losses, or have you got separate money of your own?

Mr. BROWN I think we're looking at possibly two options for the overpayments and underpayments, as well as looking at the possibility in the future of some additional appropriations.

Mr. YATES When will you decide?

Mr. BROWN Do you know the—

Mr. PARRIS We know the amounts. We're working with the Solicitor's Office in Interior to reach—

Mr. YATES How many tribes are involved in the \$4 million?

Mr. PARRIS The majority of the money, I want to say 96 percent, 97 percent, involves Individual Indian Money accounts.

Mr. YATES Of what tribe?

Mr. PARRIS No particular tribes are affected by the losses. It's a pool. All IIM monies are invested as a pool.

Mr. YATES Oh

Mr. PARRIS We invest between \$400 million and \$450 million for individual Indians as a pool

Mr. YATES Of all tribes?

Mr. PARRIS Yes, sir.

Mr. YATES Do you have adequate records to determine how much to pay each of the Indian owners?

Mr. PARRIS Do we have adequate records? Yes.

Mr. YATES Do you know who they are and how much each is to receive?

Mr. PARRIS Yes. The way that the Individual Indian Money interest is distributed is, we base it on the individual balances in the accounts and then allocate the actual interest earned to those accounts. So we have those names and the percentage of allocations.

IIM ACCOUNT INVESTMENTS NOT FULLY SECURED

Mr. YATES Mr. Skeen?

Mr. SKEEN We have some questions in that regard The \$4 million is over and above those that were insured for the \$100,000—

Mr. PARRIS Right.

Mr. SKEEN [continuing] What happened to the assets that were supposed to be backing them up?

Mr. PARRIS The—

Mr. SKEEN I mean, I understood you to say that when you had an account that you insured over \$100,000, or that you had insurance up to \$100,000, anything over that had to be covered by collateral of some kind What's happened to that collateral?

Mr. PARRIS The—

Mr. SKEEN Do you have a record of it?

Mr. PARRIS What happened is that we discovered that the banks and institutions that we had invested money in had failed and that, FDIC—the SLIC at that time, had ruled that the insurance requirements were different from what the investment operation had interpreted. Part of the problem had to do with a difference in interpretation of insurability Once we found and clarified that there was a problem related to these Individual Indian Monies and their investment of the monies in these institutions, then, of course, we altered our procedures to adapt to our new situation But at the time, we had not as clear an indication from the FDIC as to the insurability of these funds

Mr. SKEEN What I gather is that you have no record at all, and of course there is no way to recoup on the assets if you have trouble with the overages.

Mr. PARRIS Well, it's just that our understanding of the insurability of the \$100,000 limit and the applicability of that for individuals—when you have 300,000 individuals and the kind of money between \$400 million and \$450 million that we do, we had insured or invested the funds based on our understanding that it was insured, that they would be covered. Upon failure of these institutions, it came out in discussion with the FDIC and the SLIC that there was a problem.

Mr. SKEEN So you were covered with insurance, but you're still \$4 million short.

Mr. PARRIS We were covered—our understanding, we invested based on flawed information, obviously. It was lack of interpretation Part of the money was lost as a result of some embezzlement, too There was about \$15 million, \$2 million, I believe, that was—

Mr. SKEEN Well, the basic question was, There's nothing in there for recoupment?

Mr. PARRIS That's correct.